



City of Madison

City of Madison
Madison, WI 53703
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Meeting Minutes - Approved COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE

Thursday, September 6, 2012

5:00 PM

215 Martin Luther King, Jr. Blvd.
Room 260 (Madison Municipal Building)

CALL TO ORDER / ROLL CALL

STAFF: Charnitz, Hurie, Kenny, Rhodes

Markofski called the meeting to order at 5:07 p.m.

Present: 5 -

Matthew J. Phair; Liz Dannenbaum; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 4 -

Tim Bruer; Lauren Cnare; Robert M. Hunter and Monya A. Choudhury

APPROVAL OF MINUTES

Whitesel moved to approve minutes from both the July 10 and July 12, 2012 meetings. O'Callaghan seconded. Unanimous.

PUBLIC COMMENT

No one registered to speak.

DISCLOSURES AND RECUSALS

There were no disclosures or recusals.

DISCUSSION ITEMS

[27406](#)

Approving \$108,000 in Federal HOME funds to provide additional down payment assistance to qualified homebuyers through Movin' Out, Inc.

Howard Mandeville of MOI said this project would help low-income households with a disability achieve homeownership and find the cost and housing stability afforded with MOI's deep subsidy assistance. MOI has an incredible demand for housing. Mandeville said it's a sweet time to purchase housing with housing plenty of stock available and financing at a good price. They have

households already identified for home purchases.

Whitesel asked Mandeville to describe MOI's experience in the last twelve months or so with down payment assistance. He asked if their clients have been successful and are staying in their houses.

Mandeville said that MOI has virtually no MOI homeowners experience difficulties because they require long-term, fixed rate financing. There have been a handful of people around the state who have had health issues or financial setbacks who've had to make other arrangements, but it's a very tiny percentage. Homeowners that are coming up now began working with MOI two or three years ago, and now they are ready to move forward to purchasing homes. Homes have hit the right price range for them, and financing rates are good.

27406 Whitesel moved approval of staff recommendations to fund at \$108,000 from the HOME Housing Reserve Funds for at least 3 units of down payment assistance at the 2013-2014 CDD Goals and Priorities level of \$36,000 per household. Ald. Phair seconded. Unanimous.

Roll Call

Present: 5 -

Matthew J. Phair; Liz Dannenbaum; Daniel A. O'Callaghan; Justin O. Markofski and Russ Whitesel

Excused: 4 -

Tim Bruer; Lauren Cnare; Robert M. Hunter and Monya A. Choudhury

27399

PUBLIC HEARING: The City of Madison Community Development Division and CDBG Committee invites you to provide feedback on the draft CDBG office 2013 Action Plan. The Action Plan sets specific goals for the upcoming year.

No one registered to speak on the Action Plan, and Markofski closed the public hearing.

O'Callaghan asked when the Committee would take action on the Action Plan, and Charnitz said at the October meeting.

Markofski said that Committee members were asked to return their questions, suggestions, amendments, etc., about the Action Plan by September 24.

Charnitz said that Hurie put the plan together, so Committee members can contact him directly with questions. If members have comments, suggestions, amendments, etc., they can contact her or Peg or Helen by the 24th with the suggestions to be incorporated into the document.

O'Callaghan expressed his disappointment with the lack of public input on the Action Plan, especially given the interest the Committee saw during the two-year funding cycle. There were a lot of people with opinions about what the priorities should be. He said there's a lot of work being done right now with affordable housing issues in the community, and this would be a prime time to get priorities incorporated into the plan.

Charnitz said that the heart of the Action Plan lays out the Summer Process recommendations. The Mayor's budget should have all the final numbers in it, so staff will update the Action Plan when those numbers become available.

27400

Neighborhood Center Plan

Charnitz said that Lorri Wendorf-Corrigan couldn't be here tonight to discuss the plan, but it is still being worked on and should be finalized by the end of September.

Whitesel asked if the plan would be a preliminary report to the Committee or if it would be a report to another body besides this one.

Charnitz said that she thinks it's a report to the Mayor who then forwards it to the Common Council who requested the report. It will be given to the CDBG Committee for information but not for action. It will be given to the CDBG Committee for information but not for action unless the Council refers it to them.

Ald. Phair said that the Council will run into timeline issues with respect to the plan and budget decisions if the Council isn't getting it until October.

Charnitz said that the Mayor included \$2 million dollars in the capital budget for neighborhood center capital needs.

O'Callaghan said that one of the struggles the Committee has in funding centers is not enough money and too many centers. He said his understanding as to the reason for the Neighborhood Center Plan was to look at how neighborhood centers are funded, to make sure they're funded in the best, most efficient way. He was hoping that this study would give the Committee information on how to fund them. Ald. Phair said that he talked to Hurie who said that they are still working on the funding formula component of the plan.

Charnitz said plan should help the City site new centers with respect to where they get built and how they get funded. She said the plan should also provide guidance on operating side of current centers.

Charnitz said that centers were given a one-year carryover of their existing allocations for 2013. A decision still has to be made regarding funding decisions for 2014.

Markofski asked if the Mayor's \$2 million dollar allocation was only for building new centers.

Ald. Phair said it is for building or renovation.

Hurie said it was for acquisition/rehab or construction.

REPORTS

27401

CDBG September 2012 Staff Report
Financial

Operation Fresh Start - Status Update
Affordable Housing Task Force - Request for Proposals - Status update
Survey on 2013 - 2014 Funding Process

Financials

Charnitz asked for questions or feedback on the financial spreadsheet for September. No one had questions.

Operation Fresh Start—Status Update

Rhodes handed out a memo to the Committee, and members took a couple of moments to review it.

Markofski asked Rhodes to give some orientation to the memo. Rhodes said staff met yesterday with OFS and Wisconsin Partnership for Housing Development (WHPD).

Rhodes said there are three issues staff is discussing with OFS. One is their Summer Funding request and the lease purchase model. Another is their 2012 contract that has not been written yet, and the third involves their current inventory of unsold houses that they want to transfer into the lease purchase model. The Committee will have to approve the change in their contract to a lease purchase model, as well as approve their request for new funds to do the lease purchase model.

Rhodes said that HUD's guidelines for owner-occupied housing have changed since the Committee approved OFS's 2012 funding. Now HUD requires homes to be sold within six months of completion or the homes revert to rental housing. She said she sat down with all her housing development contractors to discuss how they would address this issue because the City is not funding these houses as rental; they're funding them as homeownership. Staff has had lots of discussion with OFS as to whether they will be able to operate under these new HUD rules, and the recommendation agreed upon was that the City would allow them to build two houses out of their 2012 contract, but their new contract will require them to actively start marketing those houses right away once they purchase the houses and begin rehabbing them. This is different from their current approach, which is to wait until all rehab is finished to begin marketing the homes.

Dannenbaum asked what OFS's rationale for waiting to market the houses is, and Rhodes said that they feel it's not beneficial for them to market during a rehab because it takes from ten to twelve months to finish rehab, and if they start marketing too soon, there's the potential that they could lose the client before the project is finished. It also has to do with the capacity of their organization to try to market and to keep homeowners interested in the process.

Whitesel asked if they agreed to this reluctantly or did they agree readily.

Rhodes said she couldn't say as to why they are so reluctant, that she could only give conjecture as to why they're so reluctant. She said it's because it's not part of their current model, and they don't have staff who are currently

marketing their existing units, so it's going to be a change for them.

Whitesel asked how many units for 2012, four or two.

Rhodes said that the initial proposal to OFS for 2012 was for them to build one unit for 2012 and see how that went, and then approve another unit after that one had sold. But OFS countered with the offer to do two units because they have four crews that need work, and once those two units are sold, they could do another two units for the 2012 contract.

Whitesel asked whether the 2012 houses would enter into the agreement with WPHD to buy the houses for the lease purchase model, and Rhodes said no, only the current ten units in their inventory, eight in the City of Madison.

Dannenbaum asked why the 2006 units have not sold yet.

Rhodes said it could be location or it could be marketing. They just now started listing their properties with a realtor. Before, they listed them only on their website.

O'Callaghan asked for clarification of the current number of houses.

Rhodes said there are total of ten houses in Dane County, six of which are completed and being marketed right now. The other four were from the 2011 contract and are currently being worked on by their crews and are expected to be completed in November.

O'Callaghan asked if all ten of their current inventory of houses would be purchased by WPHD for the lease purchase model, and Rhodes said it's just the eight City of Madison houses right now. The County hasn't decided what it will do now with respect to OFS's two unsold houses.

Rhodes said they are also competing in a market with houses that have no restrictions on them, unlike OFS's with its land use restriction agreement and owner-occupied restrictions.

Markofski asked for clarification on the lease purchase model program design and whether the design is satisfactory.

Rhodes said that OFS answered a lot of staff's questions when they met with them yesterday. Staff addressed a lot of their concerns with OFS, and Rhodes said staff is comfortable with OFS's design and model. There are still contracting questions, which are still being developed. They have agreed on the case management and housing counseling and that OFS will teach their leasers about homeownership and home maintenance through their education program.

Dannenbaum asked what happens with the OFS houses if they don't sell within six months.

Rhodes said they become rental properties, and that's not what the CDBG Office is intending to fund with these houses. Also, OFS does not have the capacity to do property management.

Dannenbaum asked what happens to them in real life if they didn't sell, and Rhodes said CDBG would probably try to find another buyer for them.

Rhodes said the CDBG Office would likely look for another agency that wanted to do scattered site rental to buy them.

Rhodes said the good news is that it takes OFS about twelve months to complete a home, so the CDBG Office can spot red flags as they come up. For instance, if they get to the sixth or seventh month point during the rehab and haven't found a buyer yet, the CDBG Office can step in and put more involvement into the project. Dannenbaum said it seems to put the CDBG Office in the realty business.

Ald. Phair asked if OFS would have the capacity to operate with respect to the lease purchase model.

Charnitz said that OFS would just be building the properties, whereas WPHD will have the responsibility with the marketing and linking buyers to the houses. Charnitz said that if the Committee approves the lease purchase model, then OFS's inventory gets transferred to WPHD.

O'Callaghan expressed concern with the fact that OFS would continue to produce units with the lease purchase model in 2013. He asked how WPHD would get the money to buy the current inventory from OFS.

Rhodes said they're working with Forward Community Investment in order to purchase those houses. Rhodes explained how OFS's current model with CDBG works to purchase the houses, with OFS having a revolving fund, along with new HOME funds available, for purchasing houses. They pass half the HOME funds to the homeowner as down payment assistance when the home is sold. WPHD is proposing to use the same financing model that OFS uses where a portion of the funds goes to the homebuyer as down payment.

O'Callaghan asked for clarification on the \$214,000 in 2013.

Rhodes said that money would be used to build another four houses.

O'Callaghan asked about funds for 2014.

Rhodes said they'd have to come back for funds then.

Whitesel asked how much faith staff has in WPHD in being able to do the promotion of the houses. He asked if there was a disconnect there.

Rhodes said she didn't believe there was a disconnect. She said it would be better for OFS to do just the construction of the houses than to do the marketing also because they haven't had a lot of success with the marketing aspect. WPHD has been very successful at marketing other homes, such as their NSP properties with the CDBG Office.

Whitesel asked if WPHD would be identifying the project and sites to work on.

Rhodes said yes, WPHD would be doing the site selection.

Whitesel asked where WPHD get the money to operate.

Rhodes said that they're going to need about \$75,000 in startup capital, which they requested from the Mayor's Office, but they did not get. OFS will be paying for the startup capital for the first couple of years until they start renting. They won't be using CDBG funds for the startup capital; they'll be using other resources that they have. Once WPHD starts renting the properties, they can actually start using part of the rent and part of the revenue that comes in to pay for the case manager they currently have on staff.

Whitesel asked how OFS would get their money to pay for their crews, and Rhodes said they would get it from WPHD. They would have a construction contract with WPHD.

O'Callaghan asked what happens if we authorize WPHD to purchase the current eight units with OFS building four more and the program doesn't work. Rhodes said that if the houses aren't sold in three years, those properties become permanent rental properties to be managed by WPHD.

O'Callaghan noted that a lot of things can happen with a lease purchase family in the three years that they're leasing, so that they don't purchase the properties and WPHD is left with them. The whole model depends on working with a household for three years at the end of which they buy the property. Rhodes said that any lease purchase has to have good case management, with someone on staff who's constantly in touch with the family. WPHD is aware that they need someone on staff.

Markofski reminded members that this wasn't an action item that needed resolution tonight and to be mindful of the time since Dannenbaum has to leave at 7:15.

Ald. Phair said that it seems like OFS might've picked the wrong model. He said he feels like there's a lot of work out there in small rehab/remodel projects, like basements. Rhodes said they don't do that type of work. Whitesel said he had talked with OFS and learned that it's a lot harder work to do rehab/remodel jobs like taking out asbestos or running pipes through a house than to start fresh on a new home.

Whitesel asked if staff could put something in the contract to make it a penalty for WPHD not meeting the contractual parameters.

Rhodes said it was possible, but the Committee should really think about what those penalties might entail and what they might mean for the everyone five or ten years down the road.

Rhodes said that OFS would like to have any questions from the Committee about the program before the October meeting, so that they can answer them prior to the meeting.

Charnitz said that what staff heard from OFS when they talked yesterday was that they had taken some time to look at other local and national models from other cities and make decisions about whether they were really invested in this and whether they really wanted to go forward with it. They decided that yes, they did.

Markofski asked about other lease purchase programs in the city of Madison.

Rhodes said that Common Wealth and Urban League both have lease purchase programs.

Markofski asked who all met at the meeting yesterday.

Rhodes said it was Charnitz, Hurie, and herself from CDBG, along with Greg Markle of OFS and Kathy Kamp and Bill Perkins from WPHD. Markofski wants to make sure that the CDBG Office has bought into the project.

Affordable Housing Trust Fund—Status Update

Charnitz said that the office received only two proposals for AHTF funds, one for a rental project and one for an owner-occupied project. One is for a very standard type project that the Committee has seen before, and the other is for construction financing. Rhodes and Charnitz will be doing the reviews for those and will bring staff recommendations for them to the October meeting.

Whitesel asked what the amounts were for the proposals. Charnitz said that one was for \$240,000, and one was for \$180,000, far below what was available, which was \$1.5 million. Initial discussions with the Mayor's Office were that possibly the Committee might want to look at the ordinance again to make sure there weren't barriers in it to getting the proposals that they'd like.

Whitesel asked what the reluctance was to apply. Charnitz said she heard from a few people interested in applying who didn't, and they said it was the installment loan piece of it, which was a big push from the Finance Department to get the funds revolved.

Survey on 2013-2014 Funding Process.

Markofski said that Jen Stoiber sent out an email about a week ago to the Committee members asking for experience and feedback with the Summer Funding Process.

Charnitz said she would have Stoiber resend the email. The responses should be back by September 19. Charnitz said to return those surveys right to Stoiber rather than to any of the other staff because Hurie and Stoiber will be compiling the results without staff involvement.

[27402](#)

Report from committess with CDBG Committee representation.

There were no reports.

ADJOURNMENT

O'Callaghan moved adjournment, and Whitesel seconded. Unanimous.

Anne Kenny, recorder